

The Waxman-Markey Climate Legislation: Higher Energy Prices, Fewer Jobs, and More Government Intrusion April 20, 2009

STATUS

On March 31, 2009, House Energy and Commerce Chairman Waxman (D-CA) and Energy and Environment Subcommittee Chairman Markey (D-MA) released their draft "[American Clean Energy and Security](#)" legislation. Both Chairman Waxman and Chairman Markey plan on considering their bill in Committee over the next few weeks.

Under my plan of a cap and trade system electricity rates would necessarily skyrocket ... that will cost money. They will pass that money on to consumers ...

—President Barack Obama
Meeting with the Editorial Board at the San Francisco Chronicle, January, 2008

EXECUTIVE SUMMARY

Just shy of 650 pages, the Waxman-Markey bill contains four sections outlining mandates for renewable energy, mandates for energy efficiency, an incomplete cap-and-tax proposal, and a "transitioning" section focused on forestalling expected job loss. With regard to the cap-and-tax proposal in the bill, there are **no** specifics on how CO₂ emissions allowances would be allocated to energy producers—in other words, will they be free or auctioned, and at what price. Therefore, the bill provides little for the Congressional Budget Office (CBO) to use to calculate its economic impact. However, in contrast to the details which are conveniently left out of the bill, there are plenty of details on how the plan increases energy prices, strains the economy, reduces jobs, and intrudes into private citizens lives.

- **Higher Energy Prices:** The bill imposes a national cap-and-tax regime that will tax every domestic energy producer for their carbon emissions—a tax which will inevitably be passed onto consumers. Independent researchers, CBO, and the President all agree that this cost will be passed to consumers. Furthermore, other provisions in the bill also increase the cost of energy, such as a new federal renewable electricity standard that will likely cause electricity prices to spike.
- **Fewer Jobs:** The bill does little to address the enormous loss of jobs that will ensue when U.S. industries absorb the cost of the cap-and-tax plan and other provisions, likely sending millions of American jobs overseas. In addition, the bill mandates undeveloped technologies for coal-fired plants, causing coal-fired plants to close when they cannot comply with federal regulation.
- **More Government Intrusion:** The bill creates a host of new federal mandates on everything from outdoor light bulbs and table lamps to water dispensers, commercial hot food cabinets, and Jacuzzis. The bill would also increase the demand for electricity (to fuel vehicles via new transportation mandates) at the same time as the other portions of the bill cause consumer electricity costs to spike.

TITLE I – HIGHER ENERGY PRICES (“Clean Energy”)

Renewable Electricity Standard

A **renewable electricity standard** is a mandate requiring electric providers to derive a certain amount of their production from renewable sources (including wind, solar, geothermal, biomass, and some hydropower sources). The bill specifically excludes nuclear (a greenhouse gas neutral technology) from the list of approved renewable sources.

The bill mandates a federal renewable electricity standard (RES). The RES would require that six percent of electricity generation come from selected renewable energy sources by 2012, increasing gradually to 25 percent by 2025. Note that this 25 percent RES requirement is much steeper than the renewable portfolio standard last considered by the House (15 percent, [H. Amdt. 748](#) in the 110th Congress). The Department of Energy (DoE) would give utilities “credits” for renewable energy generated which can be sold, transferred, or exchanged. If a utility cannot meet the RES it would have to purchase these credits. Each year, utilities would submit their credits to the DoE, verifying their compliance with the RES. Many members may have the following concerns:

- **Higher Electricity Prices:** The federal RES will not only preempt State renewable electricity standards (at least 23 States already have one) but will also likely cause electricity prices to spike. If renewable energy were already cost effective and competitive, there would be little need to federally mandate and subsidize it. This bill does just that, putting the renewable energy market under the control of an extremely inefficient bureaucracy.
- **Regional Disparities:** Members may be concerned that a RES would impose a uniform federal standard on States despite varying sources of renewable resources. For instance, southeastern States will be especially hard hit. In addition, forcing a RES on States who lack in renewable energy supply would transfer wealth between States in the renewable energy market. A RES would also disproportionately affect low-income States that have yet to invest in renewable energy, whose budgets are already being stretched by the economic downturn.
- **Unknown Economic Effects:** While there have been studies of the economic effects of cap-and-tax as well as RES, there has not been a study showing the compound effect of both in effect simultaneously. If States continue their programs beyond the federal program, additional costs could be incurred.
- **New Transmission Lines:** Nothing in the bill addresses new transmission lines needed for the RES, and these transmission lines would likely be subject to not-in-my-backyard opposition that impedes permitting. Additional costs could accrue for renewable energy transmitted from far away resources to renewable poor States.

Carbon Capture and Sequestration

Carbon capture and sequestration is the term used to describe a technology that captures carbon at its source and stores it before it is released into the atmosphere. Carbon capture and sequestration (CCS) is designed to be a method of reducing the amount of carbon dioxide (CO₂) emitted into the atmosphere. In general, any CCS system would have the following components: (1) capturing and separating CO₂ from other byproducts; (2) compressing and transporting the captured CO₂ to the sequestration site; and (3) sequestering CO₂ in geological reservoirs or in the oceans.

The bill would prohibit any new coal-fired plants after 2009, without CCS technology in place, and provides rebates to developers to expand CCS. In acknowledgement of the cost that would be incurred to build a CCS pipeline infrastructure, the bill authorizes a study to understand the cost of pipelines and a task force to conduct a study of existing federal and State environmental statutes that apply to geologic sequestration, long term implications, financial burdens, and private sector funding options (insurance, bonding). The bill also sets up a Carbon Storage Research Corporation to administer a program to accelerate the commercial availability of CO₂ capture and sequestration and award competitive grants, contracts, and financial assistance to eligible entities to capture and convert CO₂.

The bill also requires the Environmental Protection Agency (EPA) to subsidize the commercial deployment of CCS technologies in electric power generation and other “appropriate industrial operations.” Furthermore, the bill states that any regulations proposed should be reset in 2025 to reflect future emission limitations. Members may have the following concerns:

- **Unavailable and Untested Technology:** Members may be concerned that the bill's requirements rely too heavily on technology that is still largely unavailable and untested. Furthermore, since many carbon-fired plants would be unable to meet this new requirement, they would be forced to close, severely reducing coal-powered electricity generation across the country and increasing unemployment. Any new requirement should track the development of this technology.
- **Unexpected Rise in Natural Gas Prices:** Members may be concerned that by prohibiting new coal-fired plants, electricity generation will heavily rely on natural gas until renewable energy technology is available to completely replace coal. This would cause the cost of natural gas to increase substantially, affecting every area of the country—most dramatically those already reliant on natural gas for electricity.
- **Cost of Transporting CO₂:** Members may have concerns with the cost to be incurred by building new pipeline infrastructure to transport CO₂ from emission sites to sequestration sites. Furthermore, the cost of transporting CO₂ alone would be very high (not including the cost to build the necessary infrastructure), and there is still considerable technical and scientific uncertainty over how large quantities of injected CO₂ would be permanently stored underground. To that end, the DoE has initiated numerous CO₂ injection tests in a variety of geologic reservoirs, the results of which are still unavailable. While the scientific community continues to explore alternative methods to capture and store CO₂, all methods still remain experimental.

Smart Grid Requirement

A **Smart Grid** is a distribution system that allows for information to flow from a customer's electric meter in two directions: both inside the house to thermostats and appliances and other devices, and back to the utility. The goal of a Smart Grid is to use technologies to increase power grid efficiency, reliability, and flexibility, and reduce the rate at which additional electric utility infrastructure needs to be built.

The bill facilitates the deployment of a Smart Grid, including measures to use it to reduce utility peak loads and promote capabilities in new home appliances. States and utilities would determine and publish peak demand reduction goals which would specify a reduction to a lower peak demand during 2012. The bill also directs the Federal Energy Regulatory Commission (FERC) to reform the regional planning process to modernize the electric grid and provide for new transmission lines to carry electricity generated from renewable sources.

Transportation Standards

The bill requires the EPA to establish a low carbon fuel standard to provide transportation power sources like electricity. The standard would take effect in 2023 and impacts the development of alternative fuels like coal-to-liquids. The EPA would create a tradable credit program for electricity used as a transportation fuel, but the bill does not clearly state that electric utilities would receive the credits. Additionally, the DoE would provide grants or loan guarantees to cities, States, or private entities to subsidize the deployment of plug-in hybrid vehicles. The bill also authorizes the DoE to provide financial assistance to vehicle manufacturers to produce these plug-in hybrid vehicles. Members may have the following concern:

- **Increased Federal Mandates:** Some Members may be concerned that this section creates a federal mandate on transportation fuel producers, importers, and refiners. Such a fuel mandate forces vehicles upon consumers that they would otherwise not choose to purchase in the absence of a mandate. Some Members may also be concerned that this section allows the federal government to subsidize preferred vehicle types and manufacturers, essentially a form of corporate welfare. Finally, this section would increase the demand for electricity (to fuel vehicles) at the same time as the cap-and-tax portion of the bill causes consumer electricity costs to spike. Many Americans will end up paying more to fuel their more expensive plug-in cars during a recession.

Transmission Planning & Federal Purchases

The bill amends the Federal Power Act to require the FERC to adopt grid planning principles to achieve national policy goals. These goals would include facilitating the deployment of zero-carbon energy, reducing congestion, and ensuring cyber-security. The planning principles would incorporate energy efficiency, a Smart Grid, and underground transmission technologies. The bill does not give FERC any additional siting authority over transmission lines.

The bill amends the Energy Policy Act of 2005, so that federal government contracts to acquire renewable energy can be made for a period of up to 30 years. However, energy derived from municipal solid waste is excluded as a renewable energy source for this purpose. Members may have the following concern:

- **Nationalizing the Grid:** While transmission infrastructure development is important for reliability purposes, nationalizing the development of the grid could nationalize costs and raise questions on eminent domain and further remove State and regional approaches.

TITLE II – GOVERNMENT INTRUSION (“Energy Efficiency”)

Building Energy Efficiency

The bill contains several “energy efficiency programs” for commercial and residential buildings. For example, the legislation would set targets for national model building codes to make a 30 percent improvement in energy efficiency within three years, and a 50 percent improvement starting with building codes released in 2016 and beyond (based on 2004 or 2006 codes). DoE would provide funding to States to implement these requirements. Additionally, the bill establishes an EPA program to retrofit commercial and residential buildings to improve the energy efficiency of these buildings. The legislation also creates a DoE program to provide grants of up to \$7,500 for low-income households living in pre-1976 manufactured homes to purchase new Energy Star-qualified homes. Members may have the following concern:

- **Mandates:** Some Members may be concerned that these provisions essentially impose a new national model building code on States for energy efficiency, while creating a new federal housing grant program with an unknown level of funding.

Lighting and Appliance Energy Efficiency

The bill establishes several new federal standards for lighting and household appliances. Regarding lighting, the bill would create a new standard for outdoor lighting fixtures effective in 2011, with more stringent standards in 2013 and 2015. Additionally, in 2012, new standards would take effect for some outdoor light bulbs and portable light fixtures (such as table lamps). The legislation would also put new energy standards on appliances such as water dispensers, commercial hot food cabinets, and Jacuzzis. Importantly, the bill requires the DoE to estimate the value of CO₂ emission reductions achieved by these higher energy standards and these values would then be used to determine whether the standards should be made stricter. The Federal Trade Commission would also begin labeling appliances to show their CO₂ output. The bill also allows the Federal Energy Regulatory Commission or the Attorney General of a State to bring action in U.S. district courts against any person who sells products not in compliance with energy standards under this Act. Finally, the bill gives U.S. District Courts the authority to restrain persons distributing through commerce products which do not meet the energy standards of this section. Members may have the following concern:

- **Excessive Regulation:** Some Members may be concerned that this section excessively regulates and increases the cost for a wide range of household appliances and would make it a federal crime for a person to sell appliances which do not meet the new energy standards prescribed in the legislation.

Transportation Efficiency

This section would harmonize national transportation emission standards to achieve at least as much emissions reductions as would be achieved by California if State law AB 1493 were enforced. Moreover, the bill does not preempt California’s authority to adopt and enforce other, presumably stricter, mobile source emissions standards. Members may have the following concern:

- **Restrictive Standards:** Some Members may be concerned that this section would impose California’s strict vehicle emissions standards on all other States. California’s standard was denied a waiver from the national standard by EPA in 2007, but that decision was challenged by California and other States. If the California standard goes into effect nationwide, it is estimated that automakers would have to spend billions of dollars to comply with the stringent emissions rule at a time when the industry is already struggling. The California standard is considerably more restrictive than the current federal standard, which would raise the national fleet average to 35 miles per gallon by 2020.

Utilities Energy Efficiency

The bill would require electric utilities to achieve electricity and natural gas efficiency savings, increasing gradually from one percent in 2012 to 15 percent in 2020, relative to “business-as-usual” projections. Utilities may purchase or trade savings from other entities to comply with the standards. Otherwise, DoE is allowed to collect a penalty of \$50/megawatt hour (\$5/million BTU for gas) for non-compliance from electric and natural gas distributors. Members may have the following concerns:

- **Undefined Standards:** Some Members may be concerned that this section places confusing federal efficiency standards on utility companies that will further raise the cost of electricity for consumers. For example, the terms “consumer electricity savings” and “business-as-usual” are undefined in the bill text, thus obscuring how these standards will be measured and enforced.
- **Further Cost:** Although efficiency is a valuable goal, utilities cannot force their customers (residential or manufacturing) to use less energy. If overall energy use is not lowered, penalties apply to the utilities, adding costs and raising questions on feasibility.

Industrial Energy Efficiency

The bill directs the DoE to develop industrial energy efficiency certification standards. The section would also establish a financial award program for the owners and operators of electric or thermal energy generation facilities, which currently use fossil or nuclear fuel, to encourage additional types of thermal energy production. The legislation authorizes “such sums” for these awards.

TITLE III – NATIONAL ENERGY TAX (“Reducing Global Warming Pollution”)

Economy-Wide Target Reductions

A **cap-and-tax** plan would impose controls on emissions of greenhouse gases by entities that emit such gases (including the power industry and manufacturing industry). This cost would likely be passed on to the consumer of the energy product being produced.

The bill amends the Clean Air Act to include the Global Warming Pollution Reduction Program. The program sets targets for covered entities greenhouse gas emissions at 20 percent below 2005 levels by 2020, 42 percent below 2005 levels by 2030, and 83 percent below 2005 by 2050. The reduction targets for 2050 would bring us back to CO₂ levels equivalent to those in 1907, before the automobile came into popular use. Compared to President Obama’s budget proposal, which included a 14 percent reduction by 2020, these target reductions are higher.

The bill defines a **covered entity** as any electricity source; any stationary source that sells or distributes petroleum-based or coal-based liquid or natural gas fuel, or fossil fuel-based CO₂; any geological sequestration site; any stationary source including ammonia manufacturing plants, cement production, and lime manufacturing plants; any stationary source in the chemical or petrochemical sector that manufactures carbon black, or ethylene (used to make plastics); any stationary source that participates in ethanol (alcohol) production, food processing, glass production, hydrogen production, iron and steel production, lead production, pulp and paper manufacturing, and zinc production; any fossil fuel-fired combustion device (such as a boiler); or natural gas local distribution companies. NOTE: This list is not meant to be exhaustive. A **stationary source** is any operation comprised of a plant, building, structure, or stationary equipment, located within one or more contiguous or adjacent properties, that emits a greenhouse gas.

The bill defines **capped emissions** as any greenhouse gas emission for which an emission allowance must be held, including any emissions from natural gas plants, petroleum-based or coal-based liquid or gaseous fuel, petroleum coke, or natural gas liquid.

The bill defines **capped sector** as any sector of the economy that directly emits capped emissions, including the industrial sector, the electricity generation sector, the transportation sector, and the residential and commercial sectors (does not include the agricultural or forestry sectors).

New Listing of Greenhouse Gases

According to the United Nations Framework Convention of Climate Change, the current list of **greenhouse gases** include carbon dioxide (CO₂), methane, nitrous oxide (laughing gas), sulfur hexafluoride (used in medicine), hydrofluorocarbons (a by-product of industrial manufacturing, also found in refrigerators and insulation), and perfluorocarbons (a by-product of aluminum production).

The bill expands the list of greenhouse gases (GHG) recognized by the U.S., which currently recognizes and accepts the U.N. framework list, by adding nitrogen trifluoride (a by-product of electronics production, specifically microelectronic devices). Furthermore, the bill would allow other gases emitted by human activity to be added later at the discretion of the Administration. The bill also establishes a “Federal Greenhouse Gas Registry” to list all covered entities and vehicle fleets emitting more than 25,000 tons of CO₂ annually.

Emission Allowances

An **emission allowance** is generally defined as a limited authorization by the government to emit one ton of pollutant annually (not only CO₂, but other GHGs). Under this bill, the emission allowance structure is yet to be defined; however the Obama Administration budget endorsed all emission allowances to be purchased at auction. **Auctions** and allowances are currently used by the U.S. in pollution control schemes in numerous ways. Under this bill, allowances can also be banked and borrowed or purchased from a strategic reserve. Although allowances are generally allocated on an annual basis, participants can either use the allowance in the year purchased or save them for the next year. Saving allowances to be traded or used in a future year is referred to as “banking”. Furthermore, the bill allows for covered entities to purchase and use **international emission allowances**, a tradable authorization to emit one ton of CO₂ (or GHG equivalent) issued by a foreign government.

The bill mandates the amount of emission allowances allowed each year, beginning with 4,770 in 2012, and decreasing the amount to 1,035 by 2050. The bill also gives authority to the Administrator to adjust the number of emission allowances granted annually. The bill sets out compliance obligations for all currently operating covered entities, phasing in the compliance requirements for industrial and natural gas sources, and sets penalties for noncompliance. With regard to allowance purchasing, the bill permits the trading and sale of allowances between emission allowance holders, as well as the banking and borrowing of allowances across years. The bill also allows covered entities to use international emission allowances from foreign programs so long as the Administration deems the foreign programs as stringent as that of the U.S.

Strategic Reserve

The proposal would create a “strategic reserve” of emission allowances to create a cushion should allowance prices rise faster than expected. The reserve would consist of approximately 2.5 billion allowances—composed of one percent of the total allowances each year from 2012-2019, two percent each year from 2020-2029, and three percent each year from 2030-2050. The bill also adds unsold emission allowances from a regular auction to supplement the strategic reserve. The bill allows covered entities to purchase strategic reserve allowances to meet up to ten percent of their compliance obligation at quarterly auctions. The bill sets the price of reserve allowances at more than twice the estimated price of regular allowances, intending the proceeds from the reserve auction to be used to purchase additional allowances to replenish the strategic reserve. Members may have the following concern:

- **Cost Containment:** Banking, borrowing, and the strategic reserve are seen by some as cost containment provisions, but generally the bill does not address the cost controls for carbon directly as other bills have.

Offsets

The bill references the use of **offsets** (both offset credits and offset projects) as a way for a covered entity to reduce their need for emission allowances—by incurring emission credits. Examples of offsets **projects** include forestry and agricultural activities that absorb CO₂, and reduction achieved by entities that are not regulated by the bill. Domestic and International offsets are allowed.

The bill establishes an Offsets Integrity Advisory Board and Offset Registry to oversee the integrity system. The bill requires that for every one ton of CO₂ being offset, covered entities must submit one and a quarter offset credits—

accounting for the uncertainty in offset project successes (i.e. it is difficult to determine exactly how much CO₂ reduction actually takes place with a forestation project, etc). The bill includes a lengthy and detailed list of qualitative restrictions governing the eligibility, requirements, and approval process for such projects. The bill grants FERC complete authority to regulate the allowance and offset trading markets. There are some concerns among affected entities that the authority given to FERC is too extreme, and goes beyond authorities given to other regulating agencies in similar markets.

Auction of Allowances

Most previous cap-and-tax plans have specifically laid out a framework for how allowances are to be distributed or auctioned, including the cost controls, and where the proceeds from the auctions would be spent. This bill fails to include any specifics on the **disposition of allowances**, cost controls or what if any transition would occur to a 100 percent auction.

The bill also refers to the **Regional Greenhouse Gas Initiative** (RGGI) and currently operating California initiatives to reduce emissions. The RGGI is a mandatory effort to reduce greenhouse gas emissions in which ten Northeastern and Mid-Atlantic States will cap and reduce CO₂ emissions from the power sector ten percent by 2018. The plan requires that states sell emission allowances through auctions and invest proceeds in energy efficiency, renewable energy, and other clean energy technologies. Currently, the states participating are Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. Similarly, California is planning on implementing its own cap-and-tax scheme statewide.

Due to the lack of detailed information about the disposition of allowances, the bill cannot be properly scored by CBO.¹ The details that the bill does provide however are those on how the EPA must issue regulations regarding emission allowances issued by California and the RGGI before the end of 2011. While the bill does not provide any useful information about the auctions, it does outline how auctions are to be conducted, and provides technical information regarding the auctioning procedure. Members may have the following concerns:

- **Huge New Energy Tax:** Members recognize—even without an official cost for the bill—that this cap-and-tax proposal will burden each and every American with a huge new energy tax. The inevitable loss of jobs due to forced carbon mandates on every sector of the economy would devastate the economy. In many areas of the country where unemployment rates are already high, there is a strong correlation with manufacturing jobs—jobs which would be the first to go under a cap-and-tax regime.
- **Lack of Details:** This bill says nothing of how the new energy tax will be levied or how the proceeds will be spent. Without this information, Members do not believe that Congress can accurately and appropriately debate legislation that will drastically affect the U.S. economy and make irreversible changes to domestic policy. However, according to cost estimates of cap-and-tax proposals with similar reduction targets, the average cost to a family of four could be as high as \$3,128, and the U.S. could face the destruction of at least 3 to 4 million American jobs.²

Additional Greenhouse Gas Standards

The bill amends the Clean Air Act by authorizing a “person” to sue who has “suffered, or **reasonably expects to suffer**, a harm attributable, in whole or part, to a violation or failure to act” and cap emissions. The bill defines harm as, “any effect of air pollution (including climate change), currently occurring **or at risk of occurring**, and the incremental exacerbation of any such effect or risk that is associated with a small incremental emission of any air pollutant (including any GHG defined in Title VII), whether or not the risk is widely shared.” Members may have the following concern:

- **Climate-Related Litigation:** Members may be concerned that this language would cause an explosion of lawsuits from environmental groups who *perceive* a risk—no matter how *small* or *incremental*—from an energy producer. Organizations across the country could, and likely would, sue coal-fired power plants, manufacturing facilities, and other covered entities under the bill—resulting in levies that many energy producers would not be able to pay and stay in business.

¹ Sec. 782 (a) (b) (c). Disbursement of Allowances and Proceeds from Auctions of Allowances; Waxman-Markey draft legislation found at http://energycommerce.house.gov/Press_111/20090331/acesa_discussiondraft.pdf.

² Analysis of The Lieberman-Warner Climate Security Act (S. 2191) Using the National Energy Modeling System (NEMS/ACCF/NAM); <http://www.accf.org/pdf/NAM/fullstudy031208.pdf>.

The bill exempts CO₂ and other *capped* GHGs from regulation under the Clean Air Act (seemingly going against all previous statements and intentions by Chairman Waxman and Markey to regulate CO₂ and GHG through the Clean Air Act). However, another section of the bill opens up further regulation by the EPA (Sec. 111) under the Clean Air Act. The bill specifically grants new regulatory authority for *uncapped* GHG emissions. Members may have the following concern:

- **Excessive Regulation:** Members are concerned that increasing the authority to regulate under the Clean Air Act would allow the EPA to further regulate fossil-fuel fired power plants, a request of many environmental groups, and ultimately threaten our electric supply system. In particular, the Chief Climate Counsel for the Sierra Club has said publically that the Clean Air Act should be used to block the construction of new coal-fired power plants and shut down existing plants.³ Members may be concerned that exempting CO₂ and GHG from further regulation under the Clean Air Act is intended to veil Democrat's intentions to use back door methods to shut down coal-fired power plants.

The bill also regulates and caps hydrofluorocarbons (previously uncapped) by 2019 in a way similar to the capping and trading of CO₂. The bill requires reports on emission sources and ways of controlling the emission of black carbon—a by-product of incomplete combustion of fossil fuels or biomass—as well as directing the EPA to propose regulations for black carbon within two years. Currently, black carbon is mostly emitted by diesel transportation sources, forest and agriculture burning operations, and residential cooking and heating appliances in developing nations.

State Impacts

The bill adds a new section to the Clean Air Act that would suspend, but not preempt, state and regional cap-and-trade programs from 2012 to 2017 with the goal of transition away from state programs to a federal carbon program.

- **California Preemption:** Members are concerned that the draft legislation allows California the right to continue to set their own emissions standards—creating an unequal market for goods and services. The bill's target to "harmonize" emissions standards is hard to accomplish when California is allowed to artificially manufacture their own standards.

TITLE IV – FEWER JOBS ("Transitioning to a Clean Energy Economy")

Domestic Competitiveness

In an effort to "ensure that U.S. manufacturers are not put at a disadvantage relative to overseas competitors," the bill would give rebates to specific industrial sectors affected by the new energy tax imposed under the bill (according to the bill, such benefiting sectors are left to be determined by the Administration). As a part of the rebate program, the bill requires that emissions from all covered entities be considered and inspected. The bill requires that the program begin phase out in 2012. Members may have the following concern:

- **Admission of Increased Cost:** This provision is a complete admission that a cap-and-tax regime in the U.S. will assuredly put U.S. manufactures on an unequal playing field with foreign manufacturers. Many Members would question the ability of any rebate or requirement on international manufactures to actually save American jobs from moving overseas.

International Reserve Allowance Program

Border adjustments, also known as border tax adjustments or border tax assessments, are import fees levied by carbon-capping countries on goods manufactured in non-carbon-capping countries.

The bill establishes a program to set up binding agreements committing all major GHG emitting nations to contribute equitably to the reduction of global GRG emissions. While doing nothing to require foreign nations to cap their own emissions, the bill would instead establish a border adjustment program to require foreign manufacturers and importers to purchase emission allowances to "cover" the carbon emitted in the production of U.S. bound products—an attempt to

³ What Does "Bonanza" Mean? (Part II): Putting Down the Shovel; http://www.chesapeakeclimate.org/news/news_detail.cfm?id=798.

deal with U.S. manufacturers who find themselves on unequal ground with their foreign counterparts. Many of these energy-intensive goods and sectors include iron, steel, aluminum, cement, glass, pulp, paper, chemicals, and industrial ceramics. The purpose of this adjustment program is to “promote a strong global effort to significantly reduce greenhouse gas emissions” and ensure “that greenhouse gas emission occurring outside the U.S. do not undermine the objectives of the U.S. in addressing global climate change.” Since it is widely accepted that unless foreign countries such as India and China institute carbon-capping programs of their own, the efforts of the U.S. will be likely for naught. Members may have the following concerns:

- **Cost to U.S. Consumers:** Members recognize that any cost to foreign producers will be passed on to U.S. consumers. Not only will domestic products be more expensive, but foreign goods would as well. Members also recognize that this will likely have devastating effects on free trade and foreign relationships.
- **Global Participation:** Members also recognize that without global participation, our carbon caps will do little to affect any global climate change. In fact, according to MIT researchers, “*With rapid growth in developing countries, failure to control their emissions could lead to a substantial increase in global temperature even if the U.S. and other developed countries pursue stringent policies.*”⁴ In other words, U.S. efforts could easily be all for naught.

“Green Jobs”

The bill authorizes the Education Department to make grants to develop programs of study that are focused on careers and jobs in renewable energy, energy efficiency, and climate change mitigation, as well as a sustainability workforce training program through the Department of Labor to focus on “green” industries and practices (including those related to Smart Grid technologies, plug-in electric drive vehicles, and electric transmission systems). The bill authorizes and applies Davis-Bacon work requirements to all individuals employed (including those employed by contractors) by programs established under the bill.

Exporting Clean Technology

In an effort to encourage other countries to follow suit with the U.S. cap-and-tax regime, the bill establishes an International Clean Technology Fund at the U.S. Treasury to grant foreign aid to developing countries that ratify an international treaty and perform emission mitigation activities.

Federal Funding for State, Local, Tribal, and International Adaption Projects

The bill would provide subsidies to State, local, and tribal governments for the implementation of projects to study and account for the vulnerability to climate change impacts across the country. The bill would also require each federal agency to develop an adaptation plan and review climate change matters within their jurisdiction. The bill also requires the Secretary of Health and Human Services to initiate a national strategy for adapting to the public health effects of climate change. Finally, the bill establishes an International Climate Change Adaptation Program within the USAID to provide U.S. foreign aid to developing countries for their efforts to adapt to climate change.

For questions or further information contact Sarah Makin or Adam Hepburn at 6-2302.

⁴ A Report of the MIT Joint Program on the Science and Policy of Climate Change; Assessment of U.S. Cap and Trade Proposals; http://web.mit.edu/globalchange/www/MITJPSPGC_Rpt146.pdf.